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CASCO TELEPHONE CO.

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

ORIGINAL
FILE

92-133

September 8, 1992

Ms. Donna R. Searcy
Secretary
Federal Communications Commission
Room 222
1919 M. Street, N.W.
Washington, DC 20554

RE: Amendment of Parts 65 and 69 of
The Commission's Rules to Reform
The Interstate Rate of Return
Represcription and Enforcement
Processes

Dear Ms. Searcy:

Please find enclosed for filing the original and eleven
copies of Casco Telephone Company's comments in the above-
captioned proceeding. Thank you.

Sincerely,

A handwritten signature in cursive script, appearing to read 'Michael A. Gotstein'.

Michael A. Gotstein
President/General Manager

No. of Copies rec'd 0 + 11
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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

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In the Matter of:)

)
Amendment of Parts 65 and 69 of)
the Commission's Rules to Reform)
The Interstate Rate of Return)
Represcription and Enforcement)
Processes)

CC Docket No. 92-133

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COMMENTS OF THE CASCO TELEPHONE COMPANY

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

The Casco Telephone Company (CTC), pursuant to the Notice of Proposed Rulemaking and Order of the Federal Communications Commission (Commission), respectfully submits its Comments in the above-captioned proceeding. CTC is a local exchange carrier providing service to 1015 access lines in the northeast area of Wisconsin.

CTC supports a procedure that treats small companies fairly. The current rules are very complex and time consuming. Simplification and flexibility should be objectives of this proceeding.

The Commission proposes to continue the unitary rate of return. CTC fully supports this proposal. CTC believes that the best surrogate group for the interstate access services of small LEC's is a composite of the Bell Operating Telephone Companies (BOCs). The BOCs' capital structures are readily available in the FCC Annual Report Form M. Their debt costs and percentage of total capital are easily determined, and can be simply averaged into a composite industry figure for application to the rate of return carriers. The BOCs provide about 80% of the industry's local exchange access lines, so their capital structures and debt costs would certainly represent the industry as a whole.

CTC believes that any new rules should not use the capital costs or financial structures of the over 1,300 local exchange companies regulated under rate of return. The data for these carriers would be very costly to collect, would not be consistent within themselves, and in many cases would not be available. In order to avoid the immense complications of attempting even to collect the data, the Commission should rely on BOC data which is already prepared and filed with the Commission.

There is no need to collect and analyze capital structure and debt cost data for Tier 1 LECs other than the BOCs. These 30 carriers account for only 16% of the industry's access lines, and would add little value to the Commission's represcription process, compared to the effort to process this very large quantity of data. Adding the remaining Tier 1 LECs would add reporting burdens with next to no benefits to the public interest.

Codification of any method for determining the cost of equity would severely restrict the Commission's flexibility, and could make future represcriptions more complex. This would be contrary to the Commission's simplification objectives.

The Commission proposes that a represcription be initiated only when capital markets change so significantly and persistently that LEC costs of Capital might also change. This method unties the Commission from mandatory represcription and allows for the consideration of special circumstances at the time or in the near future. CTC supports the proposal of USTA on this issue.